

# State Board of Accounts Spring Library Workshop

*We are dedicated to providing the citizens of the State of Indiana with complete confidence in the integrity and financial accountability of state and local government.*

June, 2020

# Enhanced Regulatory Basis of Accounting



# Enhanced Regulatory Basis 2019 Updates

- ✓ Long-term Debt
- ✓ Leases
- ✓ InterFund Transactions
- ✓ Deficit Fund
- ✓ Significant Contingent Liabilities



Significant Commitments  
Subsequent Events  
Pensions  
Capital Assets

# Enhanced Regulatory 2020

- Financial Statement - Fund Types
- Interfund Activity
- Capital Assets Note Disclosure (in
- Conduit Debt
- Short-term Debt
- Tax Abatements
- Landfill Closure and Postclosure (
- Related-Party Transactions
- Joint Ventures



# Capital Assets

- Update and maintain Capital Asset Ledger
- Supplementary Schedule (unaudited) for 2019 and 2020
- Compliance Testing
- Estimated Useful Lives of Assets – *Required on Form 369*
- Depreciation Calculation – **Postponed**



# Capital Assets - Resources

You Tube Video – Accounting for Capital Assets

Library Bulletin

Library Manual

Presentations and Training Materials from 2019



[www.in.gov/SBOA](http://www.in.gov/SBOA) *on the Libraries page*

# How to Prepare for a Remote Audit

Email, Telephone, Video Conferences

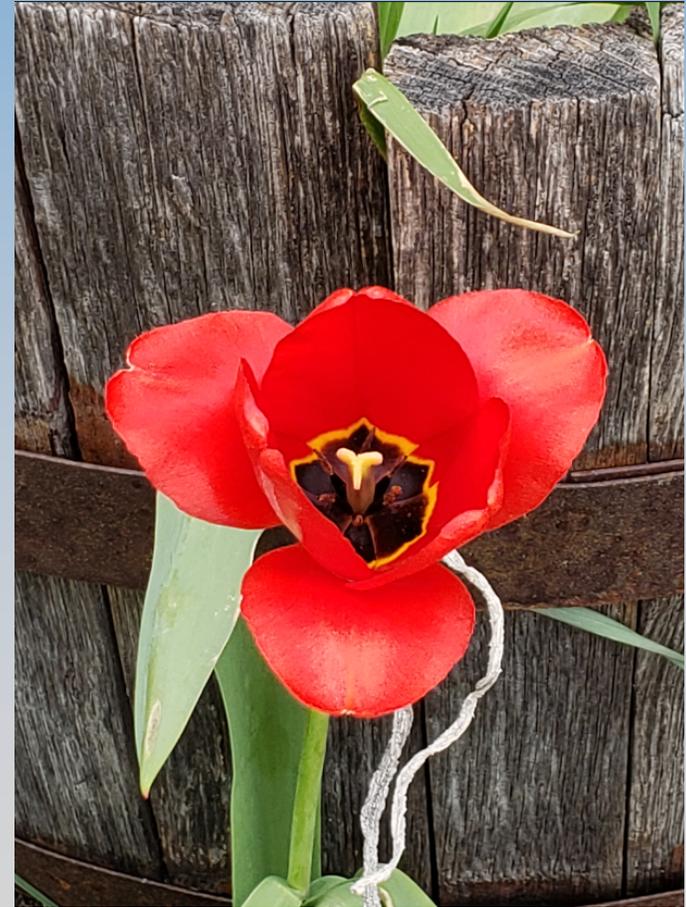
COVID -19 Protocol

Document Prior to Audit

Gateway Direct Request email

Monthly & Annual Uploads

Computer Webcam



# Internal Controls during COVID-19

*Internal controls should be identified, monitored, and evaluated on a continual basis*



# Internal Control Processes

Bank Reconciliation

Receipting Process

Disbursing Process

Payroll

Credit Cards

Financial Reporting



# Internal Controls – Ongoing Process

Ongoing Process

Evaluate

Modify

Address all Five Components



# Internal Controls

Best Practices ▼

Annual Financial Report

Snapshot

Bank Account Reconcilements

Snapshot

Credit Card Purchases



## BANK ACCOUNT RECONCILEMENTS

A system of internal control may be implemented in many different ways. Because political subdivisions vary in purpose, size and complexity, no single method of internal control is universally applicable. However, the five internal control components should be present and functioning in all political subdivisions.

Questions have been accumulated for all five internal control components. This document includes questions pertaining to various noncompliance issues regarding bank account reconcilments. These questions can be used to aid in designing a proper system of internal control over bank reconcilments that will allow incorrect bank reconcilments to be prevented or detected and corrected in a timely manner. It is not necessary to address all questions in this document. These are only suggestions and ultimately it is up to the unit on how they implement it. The internal control system as a whole has to be designed and implemented appropriately in order to allow errors made on the bank reconcilment to be prevented or detected and corrected in a timely manner.

**Components of Internal Control:**

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

**Control Environment - Sets the tone of the unit and influences the effectiveness of internal controls within the unit. It comprises the integrity and ethical values of the unit and is set by the governing board and management. The standards, processes, and structures which form the control environment pervasively impact the overall system of internal control.**

The questions in this section are divided by questions that pertain to the governing board, management and both the governing board and management.

**Governing Board:**

	YES	NO
1) Does the governing board oversee the unit's internal control system over the preparation and review of the bank reconcilment?	<input type="checkbox"/>	<input type="checkbox"/>
2) If considered necessary, did the governing board establish an oversight committee and appoint members with high ethical values, excellent communication and problem solving skills?	<input type="checkbox"/>	<input type="checkbox"/>
3) Does the unit have a mission statement, objective and goals?	<input type="checkbox"/>	<input type="checkbox"/>
4) Does the governing board convey periodic messages of expectations to all employees?	<input type="checkbox"/>	<input type="checkbox"/>
5) Are there written policies documenting internal control procedures over the preparation and review of the bank reconcilment? If yes, do these written policies outline the authority and responsibility for the preparation and review of the bank reconcilment within the unit and require bank reconcilments to be performed monthly?	<input type="checkbox"/>	<input type="checkbox"/>
6) How involved is the governing board in understanding the unit's bank reconcilment process, overseeing the effectiveness of internal controls over the preparation and review of the bank reconcilment, and evaluating whether the accounting records that support the bank reconcilment are correct? For example, is the governing board's involvement limited to attending board meetings, or does the board oversee other things such as unit controls, accounting practices, etc.	<input type="checkbox"/>	<input type="checkbox"/>
7) Does the governing board have a complete listing of all bank accounts?	<input type="checkbox"/>	<input type="checkbox"/>
8) Have job descriptions been created outlining specific duties? If yes, is the organizational chart current and accurate?	<input type="checkbox"/>	<input type="checkbox"/>
9) Has fiscal authority been formally delegated to specific management personnel? If yes, do these duties address responsibilities required for the preparation and review of the bank reconcilment?	<input type="checkbox"/>	<input type="checkbox"/>
10) Did the governing board develop a formal employee evaluation system to set the intervals in which employees will be evaluated? If yes, does the formal evaluation system include disciplinary action that will be taken if an employee does not meet the expectations noted in the evaluation system?	<input type="checkbox"/>	<input type="checkbox"/>
11) Does management provide documented processes regarding the preparation and review of the bank reconcilment to the governing board for review?	<input type="checkbox"/>	<input type="checkbox"/>
12) How does the governing board oversee the activities of management that are related to financial reporting? What oversight does the governing board give on the accounting records?	<input type="checkbox"/>	<input type="checkbox"/>
13) Are accounting department employees required to take vacations?	<input type="checkbox"/>	<input type="checkbox"/>
14) Has the governing board developed and implemented an ethics policy? If yes, does the policy address potential conflicts of interest? Is there a system of annual acknowledgment in place where either through e-mail submission or manual documentation, each official and employee attests that they have read the policy and will adhere to the policy?	<input type="checkbox"/>	<input type="checkbox"/>

[www.in.gov/sboa](http://www.in.gov/sboa)

# Internal Controls – Best Practices

- Annual Financial Report
- Bank Account Reconciliation
- Credit Card Purchases
- Disbursing Activities
- Payroll
- Receipting Activities
- Schedule of Expenditures of Federal Awards

Long Version

Snapshot

*Do internal controls really matter?*



# Common Internal Control Findings

Did not

*separate incompatible activities*

related to receipts,  
disbursements, and payroll.

There was no  
*evidence* of an  
oversight, review, or  
approval process



Did not have a  
*review or approval process*  
over bank reconciliation or  
over financial close and  
reporting

# Deposit of Collections

- Cash Collections
- Electronic Payments
  - IC 36-1-8-11



Pikrepo.com

# Payroll

Compensation Paid

Withholdings

Payroll Service Providers



Picpedia.org

# Bank Transactions

Cash Withdrawals

Checks Payable to Cash

Counter Checks

EFTs

Duplicate Payments



<https://en.wikipedia.org/wiki/Cash>

# Unauthorized Transactions

- Credit Card Purchases
- Debit Card Purchases
- Electronic Funds Transfers



# Internal Controls – Other Important Items

- Computer Security
- Offsite Storage
- Scams



Pixabay.com

# Internal Controls

Review the Internal Control Manual

Use the Best Practice Documents

Evaluate Procedures

Address All Five components

Update Procedures as Needed



[https://commons.wikimedia.org/wiki/File:Take\\_action.jpg](https://commons.wikimedia.org/wiki/File:Take_action.jpg)

# Review Prior Audit Report



[www.in.gov/sboa](http://www.in.gov/sboa)

Indiana Code 5-11-1-27

# Report of Misappropriation

- **Actual or Reasonable Cause**
  - to believe a misappropriation has occurred
- ***Shall immediately* send **written** notice to**
  - State Board of Accounts
  - County Prosecutor



Indiana Code 5-11-1-27

# Report of Variance / Loss

- Materiality Threshold
- ***Shall be reported immediately***  
to the State Board of Accounts



# Reporting to SBOA – IC 5-11-1-27

## **www.in.gov/sboa - Responsibilities under IC 5-11-1-27**

### Responsibilities under IC 5-11-1-27 ▼

Pursuant to [IC 5-11-1-27\(j\)](#), all political subdivisions are required to report to us all erroneous or irregular material variances, losses, shortages, or thefts of local funds or property. For the purposes of this IC section, material is defined by the State Examiner in [State Examiner Directive 2015 6](#). Please use the following form to report this information to us. All fields are required.

Name: \*

First Name

Last Name

Email: \*

# Reporting under IC 5-11-1-27



The screenshot shows the top navigation area of the Indiana State Board of Accounts website. At the top left, there is a header with the text "Audit Reports" and a "Search Reports" button. Below this, a large blue arrow points to a grid of four navigation links, each with an icon and a link text:

- Report Government Fraud**: Accompanied by an icon of a hand with a "STOP FRAUD" sign. Link text: [Click Here](#)
- Career Opportunities**: Accompanied by an icon of a signpost with "Success" and "Opportunity" signs. Link text: [Learn More](#)
- News Room**: Accompanied by an icon of a stack of newspapers. Link text: [View Articles](#)
- Questions?**: Accompanied by an icon of a large blue question mark. Link text: [Ask SBOA a Question](#)

# Contact Information

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Indiana State Board of Accounts

